

## CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer KENAI BEACH PARTNERS LLC, a Hawaii limited liability company  
Address 900 Alewa Drive, Honolulu, Hawaii 96817

Project Name(\*): LAIE BEACH COTTAGES  
Address: 55-323 Kamehameha Highway, Laie, Oahu, Hawaii 96762  
Registration No. 6089 Effective date: August 23, 2006  
(Conversion) Expiration date: September 23, 2007

### Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

**Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.**

Expiration Date of Reports. Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the effective date unless a Supplementary Public Report is issued or unless the Commission issues an order, a copy of which is attached to this report, extending the effective date for the report.

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

### Type of Report:

- ☐ **PRELIMINARY:**  
(yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.
- ☒ **FINAL:**  
(white) The developer has legally created a condominium and has filed complete information with the Commission.  
[X] No prior reports have been issued.  
[ ] This report supersedes all prior public reports.  
[ ] This report must be read together with \_\_\_\_\_
- ☐ **SUPPLEMENTARY:**  
(pink) This report updates information contained in the:  
[ ] Preliminary Public Report dated: \_\_\_\_\_  
[ ] Final Public Report dated: \_\_\_\_\_  
[ ] Supplementary Public Report dated: \_\_\_\_\_
- And [ ] Supersedes all prior public reports.  
[ ] Must be read together with \_\_\_\_\_  
[ ] This report reactivates the \_\_\_\_\_  
public report(s) which expired on \_\_\_\_\_

(\*) Exactly as named in the Declaration

*This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.*

FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203/0104

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**Disclosure Abstract:** Separate Disclosure Abstract on this condominium project:

☒ [ X ] Required and attached to this report  
as Exhibit "H"

☐ [ ] Not Required - Disclosures covered in this report.

**Summary of Changes from Earlier Public Reports:**

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

☒ [ X ] No prior reports have been issued by the developer.

☐ [ ] Changes made are as follows:

**SPECIAL ATTENTION**

The Developer has disclosed the following:

- (a) This is a CONDOMINIUM PROJECT, not a subdivision. The land area beneath and immediately appurtenant to each unit is designated a LIMITED COMMON ELEMENT and does not represent a legally subdivided lot. The dotted lines in the Condominium Map bounding the designated number of square feet in each limited common element land area are for illustration purposes only and should not be construed to be formal subdivision lines.
- (b) No warranties are given to the purchaser as to the construction, materials or workmanship of the Project. The Project is being sold in "as is" condition (pages 12 and 15).

This public report does not constitute approval of the Project by the Real Estate Commission or any other governmental agencies, nor does it ensure that all applicable County codes, ordinances, and subdivision requirements have necessarily been complied with.  
**THE PROSPECTIVE PURCHASERS ARE CAUTIONED TO CAREFULLY REVIEW ALL DOCUMENTS REGARDING THIS CONDOMINIUM PROJECT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.**

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## **General Information On Condominiums**

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

"Common elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

## **Operation of the Condominium Project**

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without the vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to the apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

# I. PERSONS CONNECTED WITH THE PROJECT

Developer: KENAI BEACH PARTNERS LLC.,  
a Hawaii limited liability company Phone: (808)754-0150  
Name\* (Business)  
322 Aolua Street, Apt. 1005  
Business Address  
Kailua, Oahu, HI 96734

Names of officers and directors of developers who are corporations; general partners of a partnership; partners of a Limited Liability Partnership(LLP); or manager and members of a Limited Liability Company(LLC)(attach separate sheet if necessary):

<u>Jon Gomes, member</u>	<u>900 Alewa Drive, Honolulu, Hawaii 96817</u>
<u>Earl Frawner, member</u>	<u>900 Alewa Drive, Honolulu, Hawaii 96817</u>

Real Estate Broker\*: None Selected (See page 20) Phone: (808)  
Name (Business)

Business Address

Escrow: Title Guaranty of Hawaii, Inc. Phone: (808) 533-6261  
Name (Business)  
235 Queen Street  
Business Address  
Honolulu, HI 96813

General Contractor\*: N/A Phone: (Business)  
Name  
Business Address

Condominium Managing Agent\*: Self-Managed by the Association Phone: (Business)  
Name of Apartment Owners  
Business Address

Attorney for Developer: Jeffrey S. Grad, Esq. Phone: (808) 521-4757  
Name (Business)  
841 Bishop St., Ste. 1800  
Business Address  
Honolulu, HI 96813

\* For Entities: Name of corporation, partnership, Limited Liability Partnership (LLP), or Limited Liability Company (LLC)

## II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

- A. **Declaration of Condominium Property Regime** contains a description of the land, buildings, apartments, common elements, limited common elements, common interests, and other information relating to the condominium project.

The Declaration for this condominium is:

<input type="checkbox"/> Proposed		
<input type="checkbox"/> Recorded -	Bureau of Conveyances:	Document No. _____ Book _____ Page _____
<input checked="" type="checkbox"/> Filed -	Land Court:	Document No. <u>3445416</u>

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]: Amendment No. 1 of Declaration of Condominium Property Regime dated July 5, 2006, filed as Document No. 3454461; Amendment No. 2 dated July 27, 2006, filed as Document No. 3459085;

- B. **Condominium Map (File Plan)** shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

<input type="checkbox"/> Proposed		
<input type="checkbox"/> Recorded -	Bureau of Conveyances	Condo Map No. _____
<input checked="" type="checkbox"/> Filed -	Land Court	Condo Map No. <u>1818</u>

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:

- C. **Bylaws of the Association of Apartment Owners** govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

<input type="checkbox"/> Proposed		
<input type="checkbox"/> Recorded -	Bureau of Conveyances:	Document No. _____ Book _____ Page _____
<input checked="" type="checkbox"/> Filed -	Land Court:	Document No. <u>3445417</u>

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]:

D. **House Rules.** The Board of Directors may adopt House Rules to govern the use and operation of the common elements and limited common elements. House Rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial House Rules are usually adopted by the developer.

The House Rules for this condominium are:

☐ Proposed                      ☐ Adopted                      ☒ Developer does not plan to adopt House Rules

E. **Changes to Condominium Documents**

Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. **Apartment Owners:** Minimum percentage of common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	<u>100%</u>
Bylaws	65%	<u>65%</u>
House Rules	---	<u>n/a</u>

\* The percentages for individual condominium projects may be more than the minimum set by law for projects with five or fewer apartments.

2. **Developer:**

☐ No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.

☒ Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:

See attached Exhibit "A"

### III. THE CONDOMINIUM PROJECT

**A. Interest to be Conveyed to Buyer:**

- ☒ Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.
- ☐ Leasehold or Sub-leasehold: Individual apartments and the common elements, which include the underlying land will be leasehold.

Leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (apartment owner/tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit \_\_\_\_\_ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: \_\_\_\_\_ Rent Renegotiation Date(s): \_\_\_\_\_

Lease Rent Payable:    ☐ Monthly                      ☐ Quarterly  
                               ☐ Semi-Annually                  ☐ Annually

Exhibit \_\_\_\_\_ contains a schedule of the lease rent for each apartment per: ☐ Month ☐ Year

For Sub-leaseholds:

- ☐ Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is:  
☐ Canceled                      ☐ Foreclosed
- ☐ As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

- ☐ Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Sub-leasehold:

Leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners/tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit \_\_\_\_\_ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: \_\_\_\_\_ Rent Renegotiation Date(s): \_\_\_\_\_

Lease Rent Payable:      ☐ Monthly                      ☐ Quarterly  
   ☐ Semi-Annually                      ☐ Annually

Exhibit \_\_\_\_\_ contains a schedule of the lease rent for each apartment per: ☐ Month ☐ Year



☐ Other:

### **IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS**

The information contained in this report is a summary of the terms of the lease. For more detailed information, you should secure a copy of the lease documents and read them thoroughly.

If you have any legal questions about leasehold property, the lease documents or the terms of the lease and the consequences of becoming a lessee, you should seek the advice of an attorney.

There are currently no statutory provisions for the mandatory conversion of leasehold condominiums and there are no assurances that such measures will be enacted in the future.

In leasehold condominium projects, the buyer of an apartment will acquire the right to occupy and use the apartment for the time stated in the lease agreement. The buyer will not acquire outright or absolute fee simple ownership of the land. The land is owned by the lessor or the leased fee owner. The apartment owner or lessee must make lease rent payments and comply with the terms of the lease or be subject to the lessor's enforcement actions. The lease rent payments are usually fixed at specific amounts for fixed periods of time, and are then subject to renegotiation. Renegotiation may be based on a formula, by arbitration set in the lease agreement, by law or by agreement between the lessor and lessee. The renegotiated lease rents may increase significantly. At the end of the lease, the apartment owners may have to surrender the apartments, the improvements and the land back to the lessor without any compensation (surrender clause).

When leasehold property is sold, title is normally conveyed by means of an assignment of lease, the purpose of which is similar to that of a deed. The legal and practical effect is different because the assignment conveys only the rights and obligations created by the lease, not the property itself.

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessee (apartment owner). The developer may lease the improvements to the apartment owner by way of an apartment lease or sublease, or sell the improvements to the apartment owners by way of a condominium conveyance or apartment deed.

#### **B. Underlying Land:**

Address: 55-323 Kamehameha Highway  
Laie, Oahu, HI 96762

Tax Map Key (TMK): (1) 5-5-002-034

☐ Address ☒ TMK is expected to change because each CPR Unit will receive separate designated tax key number

Land Area: 36,325 ☒ square feet ☐ acre(s) Zoning: R-5 residential

Fee Owner: KENAI BEACH PARTNERS LLC.  
Name\*  
900 Alewa Drive  
Business Address  
Honolulu, Oahu, HI 96817

Lessor: N/A  
Name  
Address

C. **Buildings and Other Improvements:**

1. ☐ New Building(s)  
☒ Conversion of Existing Building(s)  
☐ Both New Building(s) and Conversion

2. Number of Buildings: 3 Floors Per Building one (1)

☐ Exhibit \_\_\_\_\_ contains further explanations.

3. **Principal Construction Material:**

☐ Concrete ☐ Hollow Tile ☒ Wood

☒ Other wood and allied materials

4. **Uses Permitted by Zoning:**

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>6</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	<u>      </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	<u>      </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	<u>      </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	<u>      </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	<u>      </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	<u>      </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	<u>      </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other-shed	<u>      </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?

☒ Yes ☐ No

5. Special Use Restrictions:

The Declaration and Bylaws may contain restrictions on the use and occupancy of the apartments. Restrictions for this condominium project include but are not limited to:

[ ] Pets: \_\_\_\_\_

[ ] Number of Occupants: \_\_\_\_\_

[ ] Other: \_\_\_\_\_

[X] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: -0- Stairways: -0- Trash Chutes: -0-

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>(Identify)</u>
<u>Unit 1 - 4</u>	<u>4</u>	<u>2/1</u>	<u>788.25</u>	<u>10/41.33/57.5/198.33</u>	<u>Porch/laundry/carport</u>
<u>Unit 5</u>	<u>1</u>	<u>3/1.5</u>	<u>895.32</u>	<u>10/84/247.55</u>	<u>Porch/laundry/carport</u>
<u>Unit 6</u>	<u>1</u>	<u>3/1.5</u>	<u>895.32</u>	<u>10/41.33/80/180.24</u>	<u>Porch/patio/laundry/carport</u>

Total Number of Apartments: 6

**\*Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.**

**Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.**

Boundaries of Each Apartment:

The outside surfaces of the exterior walls and roof and the bottom surfaces of the footings and foundations of each Unit.

Permitted Alterations to Apartments:

See attached Exhibit "B"

Apartments Designated for Owner-Occupants Only: Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has elected to provide the information in a published announcement or advertisement. (This Paragraph is not applicable to the Project)

7. Parking Stalls:

Total Parking Stalls: -10 -

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	<u>1</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>6</u>
Guest	<u>4</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>4</u>
Unassigned	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Extra for Purchase	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Other: <u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Total Covered & Open:	<u>-10-</u>	<u>      </u>	<u>-0-</u>	<u>      </u>	<u>-0-</u>	<u>      </u>	<u>-10 -</u>

Each apartment will have the exclusive use of at least -1 - parking stall(s).  
Buyers are encouraged to find out which stall(s) will be available for their use.

- ☐ Commercial parking garage permitted in condominium project.
- ☐ Exhibit        contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

☒ There are no recreational or common facilities.

- ☐ Swimming pool                      ☐ Storage Area                      ☐ Recreation Area
- ☐ Laundry Area                      ☐ Tennis Court                      ☐ Trash Chute/Enclosure(s)
- ☐ Other:

9. Compliance With Building Code and Municipal Regulations; Cost to Cure Violations

- ☒ There are no violations.                      ☐ Violations will not be cured.
- ☐ Violations and cost to cure are listed below:                      ☐ Violations will be cured by        (Date)

See Exhibit I - Letter from City and County of Honolulu

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations  
(For conversions of residential apartments in existence for at least five years):

Subject to normal wear and tear commensurate with its age, each of the Units appear to be in fair to good structural condition consistent with their age; Subject to normal wear and tear, the electrical and plumbing systems are operable and in fair working order.

As to useful lives, see Exhibit "H".

11. Conformance to Present Zoning Code

a. ☒ No variances to zoning code have been granted.

☐ Variance(s) to zoning code was/were granted as follows:

b. Conforming/Non-Conforming Uses, Structures, Lot

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but which does not now conform to present zoning requirements.

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u>X</u>	<u>          </u>	<u>          </u>
Structures	<u>X</u>	<u>          </u>	<u>          </u>
Lot	<u>X</u>	<u>          </u>	<u>          </u>

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

D. Common Elements, Limited Common Elements, Common Interest:

1. Common Elements: Common Elements are those parts of the condominium project other than the individual apartments. Although the common elements are owned jointly by all apartment owners, those portions of the common elements which are designated as limited common elements (see paragraph 2 below) may be used only by those apartments to which they are assigned. The common elements for this project, as described in the Declaration, are:

☒ described in Exhibit C.

☐ as follows:

2. Limited Common Elements: Limited Common Elements are those common elements which are reserved for the exclusive use of the owners of certain apartments.

☐ There are no limited common elements in this project.

☒ The limited common elements and the apartments which use them, as described in the Declaration, are:

☒ described in Exhibit D.

☐ as follows:

NOTE: Reference to said Exhibit "D" to "Dwelling Areas" does not mean legally subdivided lots.

3. Common Interest: Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the "common interest." It is used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by apartment owners. The common interests for the apartments in this project, as described in the Declaration, are:

☐ described in Exhibit \_\_\_\_\_.

☒ as follows:

Unit 1,2,3 and 4 each	-	16.15%
Unit 5	-	18.22%
Unit 6	-	17.18%

- E. Encumbrances Against Title: An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of an apartment in the project.

Exhibit E describes the encumbrances against the title contained in the title report dated June 27, 2006 and issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

[ X ] There are no blanket liens affecting title to the individual apartments.

[ ] There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. The buyer's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the apartment to buyer.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed <b>Prior to Conveyance</b></u>
---------------------	--

F. Construction Warranties:

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements:

Developer is giving no warranties to Purchaser on the materials and workmanship of the Units.

2. Appliances:

N/A

G. **Status of Construction and Date of Completion or Estimated Date of Completion:**

All 6 Units were constructed in 1975

H. **Project Phases:**

The developer ☐ has ☒ has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's plans or right to perform for future development (such as additions, mergers or phasing):



#### IV. CONDOMINIUM MANAGEMENT

- A. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

Initial Condominium Managing Agent: When the developer or the developer's affiliate is the initial condominium managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial condominium managing agent for this project, named on page five (5) of this report, is:

☐ not affiliated with the Developer                      ☐ the Developer or the Developer's affiliate.  
☒ self-managed by the Association of Apartment Owners      ☐ Other: \_\_\_\_\_

- B. **Estimate of Initial Maintenance Fees:**

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, a lien may be placed on your apartment and the apartment may be sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.

Exhibit   H   contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

- C. **Utility Charges for Apartments:**

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

☒ None      ☐ Electricity      ( \_\_\_\_\_ Common Elements only \_\_\_\_\_ Common Elements & Apartments)  
☐ Gas              ( \_\_\_\_\_ Common Elements only \_\_\_\_\_ Common Elements & Apartments)  
☐ Water      ☐ Sewer              ☐ Television Cable  
☐ Other \_\_\_\_\_

## V. MISCELLANEOUS

### A. Sales Documents Filed With the Real Estate Commission:

Sales documents on file with the Real Estate Commission include but are not limited to:

☐ Notice to Owner Occupants

☒ Specimen Sales Contract

Exhibit F contains a summary of the pertinent provisions of the sales contract.

☒ Escrow Agreement dated July 25, 2006

Exhibit G contains a summary of the pertinent provisions of the escrow agreement.

☐ Other \_\_\_\_\_

### B. Buyer's Right to Cancel Sales Contract:

#### 1. Rights Under the Condominium Property Act (Chapter 514A, HRS):

Preliminary Report: Sales made by the developer are not binding on the prospective buyer. Sales made by the developer may be binding on the developer unless the developer clearly states in the sales contract that sales are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00.

Supplementary Report to a Preliminary Report: Same as for Preliminary Report.

Final Report or Supplementary Report to a Final Report: Sales made by the developer are binding if:

A) The Developer delivers to the buyer a copy of:

- 1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
- 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;

B) The buyer is given an opportunity to read the report(s); **AND**

C) One of the following has occurred:

- 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
- 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
- 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Material Change: Binding contracts with the Developer may be rescinded by the buyer if:

- A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; **AND**
- B) The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
  - B) Declaration of Condominium Property Regime, as amended.
  - C) Bylaws of the Association of Apartment Owners, as amended.
  - D) House Rules, if any.
  - E) Condominium Map, as amended.
  - F) Escrow Agreement.
  - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
  - H) Other \_\_\_\_\_

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer's sales agent, if any. The Condominium Property Regime Law (Chapter 514A, HRS) and the Administrative Rules (Chapter 107), are available on line. Please refer to the following sites:

Website to access official copy of laws: [www.capitol.hawaii.gov](http://www.capitol.hawaii.gov)  
Website to access unofficial copy of laws: [www.hawaii.gov/dcca/hrs](http://www.hawaii.gov/dcca/hrs)  
Website to access rules: [www.hawaii.gov/dcca/har](http://www.hawaii.gov/dcca/har)

This Public Report is a part of Registration No. 6089 filed with the Real Estate Commission on July 27, 2006.

Reproduction of Report. When reproduced, this report must be on:

☐ YELLOW paper stock

☒ WHITE paper stock

☐ PINK paper stock

**C. Additional Information Not Covered Above**

**HAZARDOUS MATERIALS**

The Developer neither prepared nor commissioned a Phase 1 Environmental Site Assessment and makes no representations or warranties whatsoever. The developer has made no independent investigation as to asbestos or other hazardous substances in the apartments or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. Buyer acknowledges that in light of the age of the Project, there may be asbestos and other hazardous substances in the apartments, or in, under or around the Project. Because of the possible presence of such substances, Buyer should have the apartment inspected to determine the extent (if any) of such contamination and any necessary remedial action. The developer will not correct any defects in the apartments or in the Project or anything installed or contained therein and Buyer expressly releases the developer from any liability to Buyer if any hazardous materials are discovered.

**DISCLOSURE REGARDING SELECTION OF REAL ESTATE BROKER:**

The Developer does not presently intend to use a real estate broker for the sale of apartments in the Project.

In the event the Developer chooses to use a real estate broker for the sale of an apartment, prior to entering into a binding contract for such sale the Developer shall (1) submit to the Real Estate Commission a duly executed copy of a broker listing agreement with a Hawaii-licensed real estate broker, together with a duly executed disclosure abstract identifying the designated broker, and (2) provide a copy of the disclosure abstract to the purchaser together with a copy of this public report.

- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SHL 2000) [Section 514A-1.6] (The developer is required to make this declaration for issuance of an effective date for a final public report.)
- E. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

KENAI BEACH PARTNERS LLC., a Hawaii limited liability company

Printed Name of Developer

By: \_\_\_\_\_

  
Duly Authorized Signatory\*

August 21, 2006  
Date

JON GOMES, its member

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

***\*Must be signed for a: corporation by an officer; partnership or Limited Liability Partnership(LLP) by the general partner; Limited Liability Company(LLC) by the manager or member; and for an individual by the individual.***

EXHIBIT "A"

DEVELOPER'S RESERVED RIGHTS

The Developer (Declarant) has reserved the following rights to change the Declaration, Condominium Map, By-Laws or House Rules:

Paragraph 21d of the Declaration states:

(d) Notwithstanding any other provision in this Declaration or the Bylaws to the contrary, prior to: (i) the time that all Apartments in the Project have been sold pursuant to an instrument filed in the Recording Office, and (ii) the filing by the Declarant of the as-built verified statement (with plans, if applicable) required by Section 514A-12 of the Condominium Property Act (but in no event later than January 1, 2020), the Declarant shall have the right to make alterations in the Project (and to amend this Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any Apartment Owner, which alterations: (i) change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any Apartment (and any limited common elements appurtenant thereto) in the Project which is not sold pursuant to an instrument filed in the Recording Office; or (ii) make minor changes in any Apartment or in the common elements which do not affect the physical location, design or size of any Apartment which has been sold pursuant to an instrument filed in the Recording Office; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in paragraph (c) of Section 23 of this Declaration. As used herein, "sold pursuant to an instrument filed in the Recording Office" shall mean and refer to the sale of Apartments in the Project, and recording in the Recording Office, of Apartment deeds or other conveyances transferring interests in the Apartments from the Declarant to parties not signatory to this Declaration.

End of EXHIBIT "A"

EXHIBIT "B"

PERMITTED ALTERATIONS TO APARTMENTS. Paragraph 21 of the Declaration states:

21. ALTERATION OF PROJECT.

(a) Except as otherwise provided in this Declaration, replacement or restoration of the Project or of any building, or other facility which is a common element (exclusive of a limited common element) or construction of any additional building or any material structural alteration or material addition to any structure which is a common element (exclusive of a limited common element), shall be undertaken by the Association or any Apartment Owners only pursuant to an amendment of this Declaration, pursuant to the affirmative vote or written consent of seventy-five percent (75%) of the Apartment Owners and in accordance with complete plans and specifications, and promptly upon completion of such replacement, restoration or construction, the Association shall record such amendment, together with a complete set of floor plans of the Project as so altered, certified as built by a registered architect or professional engineer.

(b) Notwithstanding any other provision in this Declaration to the contrary, (i) the owner of any Apartment may make any alterations or additions within his Apartment and (ii) the owner of any two or more Apartments separated by a common element which is a wall or ceiling may alter or remove all or portions of the intervening wall or ceiling, if in either case the structural integrity of the building is not thereby affected and if the finish of the common element then remaining is then restored to a condition substantially comparable to that of the common element prior to such alterations. Such alterations or additions within any Apartment or Apartments shall require only the written approval thereof, including the Apartment Owner's plans therefor, by the holders of first mortgage liens affecting such Apartments (if the lien holders require such approval), by the appropriate agencies of the State of Hawaii and the City and County of Honolulu if such agencies so require, and by all other Apartment Owners thereby directly affected (in the case of disagreement, as determined in a reasonable manner by the Board of Directors), and such alterations or additions may be undertaken without an amendment to this Declaration or filing of a complete set of floor plans of the Project as so altered. Prior to the termination of the common ownership of any such adjacent Apartments, if the intervening wall or ceiling or other common element shall have been altered or removed pursuant to the foregoing provisions and any entry to hallways sealed, the owner of such Apartments shall be obligated to restore such intervening wall and hallway entries to substantially the same condition in which the same existed prior to such alteration or removal. For the purpose of this paragraph, the materiality of any such modification shall be determined pursuant to and in accordance with the criteria for determining materiality as set forth in Section 514A-89 of the Condominium Property Act, as amended from time to time.

(c) Notwithstanding any other provision in this Declaration to the contrary, the owner of any Apartment to which is appurtenant a Dwelling Area may make any alterations, build improvements or additions with the consent by the holder of any mortgage affecting the Owner's Apartment (if required by such mortgage), at any time and from time to time (collectively, the foregoing are referred to "changes") subject to the following conditions:

(i) All such changes shall conform with applicable City and County building, land use and other applicable laws and ordinances ("County Rules") and applicable State of Hawaii laws and regulations ("State Laws"), and required building and other permits shall have been obtained.

(ii) All changes being made by such Apartment Owner (aa) shall conform with the Declarant's "Standards for Making Additions to an Apartment" (which standards shall be set forth in an Amendment to the Declaration hereafter executed only by Declarant and recorded in the Recording Office); (bb) shall be made within the Dwelling Area appurtenant to such Apartment (except that no structure as defined under the LUO shall be constructed or placed within five (5) feet of a boundary line of such Dwelling Area) and (cc) no such change shall affect the structural integrity of the existing building and other improvements in which such Apartment Unit is located;

(iii) No change to an Apartment will be made if the effect of such change would be to exceed the Apartment's proportionate share of the allowable floor area or building lot coverage for the Land or other development standards, as defined by the LUO in effect when the change is to be made, or would add an additional dwelling unit to the Project; provided, however, for purposes hereof, the "proportionate share" for each Apartment shall be a fraction having as its numerator the area of the Dwelling Area appurtenant to Apartment to which such change is being made and having as its denominator the total area of all of the Dwelling Areas in the Project.

(iv) All such changes shall be at the expense of the Owner making the change, shall be expeditiously made and completed in a manner that will not unreasonably interfere with or cause damage to any other Apartment, its appurtenant Dwelling Area, or the permitted use thereof by an Owner of another Apartment.

(v) During the entire course of such construction, the Owner making such change will cause to be maintained at his expense builder's all-risk insurance in an amount not less than the estimated cost of construction. The Association shall be named as an additional insured and, upon the request of the Association, evidence of such insurance shall be deposited with the Association or its Managing Agent, if any;

(vi) The Apartment Owner making such change shall have the right to utilize, relocate and realign existing and/or to develop additional, central and appurtenant installations for services to the area affected by such change for electricity, sewer and other utilities and services and when applicable, to add, delete, relocate, realign, designate and grant easement and rights-of-way over, under and on the common elements as necessary or desirable in connection therewith; provided that the same shall not cause any permanent interruption in the service of such utilities to any other part of the Project or otherwise materially interfere with their use by any other Apartment Owner.

(d) Notwithstanding any other provision in this Declaration or the Bylaws to the contrary, prior to: (i) the time that all Apartments in the Project have been sold pursuant to an instrument filed in the Recording Office, and (ii) the filing by the Declarant of the as-built verified statement (with plans, if applicable) required by Section 514A-12 of the Condominium Property Act (but in no event later than January 1, 2020), the Declarant shall have the right to make alterations in the Project (and to amend this Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any Apartment Owner, which alterations: (i) change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any Apartment (and any limited common elements appurtenant thereto) in the Project which is not sold pursuant to an instrument filed in the Recording Office; or (ii) make minor changes in any Apartment or in the common elements which do not affect the physical location, design or size of any Apartment which has been sold pursuant to an instrument filed in the Recording Office; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in paragraph (c) of Section 23 of this Declaration. As used herein, "sold pursuant to an instrument filed in the Recording Office" shall mean and refer to the sale of Apartments in the Project, and recording in the Recording Office, of Apartment deeds or other conveyances transferring interests in the Apartments from the Declarant to parties not signatory to this Declaration.

End of Exhibit B



## EXHIBIT "C"

COMMON ELEMENTS. Paragraph 6 of the Declaration designates certain portions of the Project as "common elements", including specifically but not limited to:

One freehold estate is hereby designated in all of the remaining portions of the Project, herein called the common elements, including specifically, but not limited to:

- (1) The Land in fee simple;
- (2) The foundations, columns, girders, beams, floor slabs, supports, unfinished perimeter, party and load-bearing walls and partitions, roofs, exterior skylights, stairways, walkways, corridors, ramps, fences (if any), trellises, store rooms (which are not within any apartment or made specifically appurtenant to such apartment) and mail boxes, mechanical rooms, entrances, entry ways and exits of all buildings of the Project;
- (3) All yards, grounds, planting areas, planters, walkways, balconies, walkway railings, landscaping, refuse facilities, gardens, and all other facilities and appurtenances;
- (4) All roads, driveways, driveway ramps and parking areas;
- (5) All ducts, vents, shafts, sewer lines, sewage treatment equipment and facilities (if any), electrical equipment, telephone equipment, pipes, wiring and other central and appurtenant transmission facilities and installations over, under and across the Project which serve more than one Apartment for services such as power, light, water, gas (if any), cablevision (if any), air conditioning (if any), sewer, refuse, telephone, and radio and television signal distribution;
- (6) Any and all apparatus and installations existing for common use, such as tanks, pumps, motors, fans, compressors and, in general, all other installations and apparatus existing for common use;
- (7) Any and all other apparatus and installation of common use and all other parts of the Project necessary or convenient to its existence, maintenance or safety, or normally in common use.
- (8) "Common Element, 14,147 sq. ft." , as shown on the Condominium Map.
- (9) The four(4) guest parking stalls, as shown on the Condominium Map.

EXHIBIT "D"

LIMITED COMMON ELEMENTS. Paragraph 7 of the Declaration designates:

The limited common elements so set aside and reserved are as follows:

- (a) Any entrance, exit, gateway, entry, patio, yard, driveway or steps which would normally be used only for the purposes of ingress to and egress from a specific apartment shall be a limited common element appurtenant to and reserved for the exclusive use of such apartment.
- (b) That portion of the Land which is located adjacent to and surrounding an Apartment, as such is shown on the Condominium Map (such area may be referred to as a "Dwelling Area"), shall be a limited common element appurtenant to and reserved for the exclusive use of such Apartment;
- (c) That portion of a carport or garage located upon the Dwelling Area appurtenant to an Apartment (including the parking stalls located therein and the space above such stall) shall be a limited common element appurtenant to and reserved for the exclusive use of such Apartment.
- (d) Any shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, lanais, patios, and all exterior doors and windows or other fixtures designed to serve a single Apartment, but are located outside the Apartment's boundaries, are limited common elements appurtenant exclusively to that Apartment; and
- (e) A Mailbox as designated by Declarant for the use of a specific Apartment, shall be a limited common element appurtenant to such Apartment.

Note: The "Dwelling Areas" herein described are not legally subdivided lots.

EXHIBIT "E"

ENCUMBRANCES AGAINST TITLE

1. For real property taxes that may be due and owing, your attention is directed to the Director of Finance, City and County of Honolulu.  
  
-AS TO PARCEL FIRST:-
2. Location of the seaward boundary in accordance with the laws of the State of Hawaii and shoreline setback line in accordance with County regulation and/or ordinance.
3. The terms and provisions contained in the DEED DATED March 28, 1927 recorded Liber 878 at Page 340. The foregoing includes, but is not limited to, matters relating to all fisheries and fishing rights belonging to Zions Securities Corporation pertinent to the Ahupuaa of Laie.
4. That certain perpetual aerial easement to the State of Hawaii over a right-of-way (5) feet wide, as set forth instrument dated June 5, 1935, filed as Land Court Document No. 33011 and recorded in Liber 1281 at Page 306.
5. The terms and provisions contained in the following DEED DATED March 22, 1944, FILED AS Land Court Document No. 72151. The foregoing includes, but is not limited to, matters relating to right-of way or easement ten (10) feet wide for utility purposes more particularly described therein.  
  
-AS TO PARCEL SECOND:-
6. Rights of others who may own undivided interest(s), or have easement or access rights, in said parcel.
7. Structure position discrepancies as shown on the survey map prepared by Wesley T. Tengan, Land Surveyor, WESLEY T. TENGAN licensed Professional Land Surveyor, dated February 1, 2005.
8. Encroachment(s) as shown on the survey map prepared by Wesley T. Tengan, Land Surveyor, with WESLEY T. TENGAN Licensed Professional Land Surveyor, dated February 1, 2005.
9. Encroachments or any other matters which a survey prepared after February 1, 2005 would disclose.
10. Matters as shown on Condominium Map No.1818, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.
11. Covenants, conditions, restrictions, reservations, agreements, obligations, provisions and easements, but omitting any covenants or restrictions if any, based upon race, color, religion, sex, handicap, familial status, or national origin unless and only to the extent that said covenant (a) is exempt under chapter 42, section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons, as set forth in the Declaration of Condominium Property regime dated June 27, 2006, filed as Document No. 3445416. By-laws of the Association of Apartment Owners of **LAIE BEACH COTTAGES** dated June 27, 2006 filed as Document No. 3445417. Said Declaration was amended by instrument dated July 5, 2006 and filed as aforesaid as Document No. 3454461. Said Declaration was further amended by instrument dated July 27, 2006, filed as Document No. 3459085.

EXHIBIT "F"

SUMMARY OF THE PROVISIONS OF THE SALES CONTRACT. The Sales Contract consists of two documents: a Hawaii Association of Realtors Standard form of Deposit Receipt Offer and Acceptance ("DROA") and a document attached to the DROA which is entitled "SPECIAL CPR PROVISIONS ATTACHED TO THE DROA".

The Special Provisions are intended to amend the DROA, and unless the context would indicate clearly to the contrary, then in the event of any conflict between a provision contained in the Special Provisions and a provision contained in the DROA, the provision contained in the Special Provisions shall prevail.

1. Description of the Property to be Conveyed: Fee simple title to the Apartment, together with the furnishings and appliances, if any, and the undivided interest in the common elements set forth in the DROA.. Title will be conveyed subject to the encumbrances of record.

2. Purchase Price and Terms. The purchase price for the Apartment is set forth on page 2 of the DROA is to be paid in the method and at the times set forth in the DROA. This may include payment of (a). An initial deposit; (b). An additional cash deposit, if set forth in the DROA ; and (c) the balance of the purchase price is to be paid to escrow by purchaser on or before closing.

3. Financing of Purchase. Paragraph C-24 of the DROA Form (if elected) provides if Buyer desires financing, a loan application must be made within a certain number of days and if Buyer's application is not approved within a certain number of days after the application, then either Seller or Buyer may cancel the Sales Contract. Upon such cancellation, Buyer's deposits will be refunded by escrow without interest.

4. Closing Costs. Closing costs and escrow fees are to be shared in accordance with the DROA, except that Seller does have the option to require two months' advance payment of Association maintenance fees and a start up expense for the Association of Apartment Owners equal to two months' of Association maintenance fees. Buyer's proportionate share of any liability insurance premium, real property taxes, maintenance fees and any other charges with respect to the Property shall be pro-rated between Seller and Buyer as of the date of closing.

5. Closing. Seller has agreed to cause the Apartment to be sold to the Buyer within the time period set forth on page 3 of the DROA .

6. No Present Transfer and Subordination to Construction Loan.

(a) The Sales Contract may be subject to existing and future blanket loans, and any security interest now or hereafter obtained by a lender of Seller is or will be prior and senior to any rights of the Buyer arising under the Sales Contract. This obligation to subordinate the purchaser's right under the Sales Contract to loans now or hereafter made by the Seller is set forth in Paragraph 4 of the Special Provisions.

(b) Seller may also assign by way of security all of its interest in the Sales Contract, as collateral for the repayment of the loan and if the Lender acquires the Seller's interest in the Sales Contract, then the Buyer is obligated to perform the Sales Contract, and to attorn to and recognize the Lender as the seller under the Sales Contract.

(c) Notwithstanding that the Sales Contract may be subordinate to a blanket lien, if the Buyer performs his obligations under the Sales Contract, then Seller is required to convey the Apartment to Buyer at closing free and clear of any blanket lien.

7. Seller's Rights to Cancel Sales Contract. The Seller may cancel the Sales Contract with the Buyer if (a) Buyer fails to qualify for a permanent loan (if Paragraph C-24 of the DROA is selected; (b) Buyer defaults under the Sales Contract (paragraph 6(b) of the Special Provisions); (c) Buyer dies prior to Closing Date (paragraph 6(a) of the Special Provisions) or (d) the Final Public Report shall not have been issued and Buyer shall not have waived his right to cancel (called the "Effective Date"). Pursuant to Paragraph 6(b) of the Special Provisions, if Buyer fails to close as required, then in the case only of non-monetary default after ten (10) days following Seller's notice of Buyer's default or otherwise without notice as to monetary defaults, the Seller may cancel the Sales Contract and all sums previously paid by Buyer will belong absolutely to the Seller as liquidated damages. Additionally, Seller may pursue any other remedy, and all costs, including reasonable attorney's fees, incurred by reason of default by the Buyer shall be borne by the Buyer. Time is the essence of the Sales Agreement.

8. Rights of Buyer to Cancel the Sales Contract. The Buyer has the right to cancel the Sales Contract under the following conditions:

(a) At any time within thirty (30) days following the date the Final Public Report is delivered to Buyer. If Buyer so cancels, Buyer will be entitled to receive refund of any deposits, less any escrow cancellation fees and other costs up to \$250. If Buyer does not act within the thirty (30) day period, or if the Apartment is conveyed to the Buyer, Buyer will be deemed to have executed the receipt for the Final Public Report and to have waived his right to cancel (paragraphs 6.1 and 6.3 of the Special Provisions).

(b) The Buyer may cancel his purchase if there is a material change in the Project which directly, substantially and adversely affects the use or value of the Buyer's Apartment or the amenities available for the Buyer's use (paragraph 7(a) of the Special Provisions).

(c) Buyer fails to qualify for permanent financing if Paragraph C-24 of the DROA has been selected.

9. Paragraph 11 of the Special Provisions provides that the Buyer acknowledges that he or she has examined (and agrees to be bound) by the Declaration of Condominium Property Regime for the Project, the Bylaws of Association of Dwelling Owners, a specimen Apartment Deed and the Escrow Agreement. Seller reserves the right to modify the above documents as may be required by law, any title insurance company, or any institutional mortgagee.

10. Paragraph 12 of the Special Provisions contains provisions generally disclaiming all warranties relating to construction, design, materials or workmanship of the Apartment being bought and the Project. Buyer is cautioned to have his own inspection of the property and the Apartment.

Paragraph 12 also provides that Unit B presently consists of playhouse. The Declaration of Condominium Property Regime permits the Owner of a Unit to replace the shed with a residence or other improvement, subject to complying with County rules (including without limitation, obtaining a building permit) and subject to other conditions set forth in Paragraph 19.1 of the Declaration.

Seller gives no assurance or warranty that Buyer can obtain building permits for a residence, that adequate utility services will be available to service a residence or be available to the site, that the condition of the site is suitable for the construction of a residence, or that the costs for development of a residence will be reasonable or affordable for Buyer. Buyer acknowledges that he should investigate these and other relevant risks prior to committing to buying Unit. At closing, Seller shall disclaim any and all warranties with respect to the foregoing or any other matters relating to the Project, other than title.

If an owner within the Project intends to construct a residence or other improvements (including the replacement of a shed) after closing on his purchase, then such is likely to cause disruption, dust, noise and debris within the Project, and such could affect the comfort and use of the Project by its owners. Each Owner shall assume the risk of such occurrence.

The Summary contained in this Exhibit is merely a summary and is not intended to be a substitute for the Buyer's careful review of the Sales Contract.

End of EXHIBIT "F"

EXHIBIT "G"

SUMMARY OF THE MATERIAL PROVISIONS OF THE ESCROW AGREEMENT

Summary of the Condominium Escrow Agreement between the Developer and Hawaii Escrow & Title, Inc.:

1. All deposits will be paid to Escrow. A copy of each Sales Contract and all payments made to purchase an Apartment shall be turned over to the Escrow Agent.

2. Refunds. A Buyer shall be entitled to a return of his funds, and Escrow shall pay such funds to such Buyer, without interest, in accordance with the Sales Contract if any of the following has occurred:

(a) Developer and the purchaser shall have requested Escrow in writing to return to purchaser the funds of purchaser held hereunder by Escrow; or

(b) Developer shall have notified Escrow of Developer's exercise of the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Developer; or

(c) With respect to a purchaser whose funds were obtained prior to the issuance of the Final Report, the purchaser has exercised his right to cancel the contract pursuant to Section 514A-62, Hawaii Revised Statutes, as amended; or

(d) A purchaser has exercised his right to rescind the contract pursuant to Section 514A-63, Hawaii Revised Statutes, as amended.

Upon such refund, Escrow Agent shall be entitled to a reasonable fee not less than \$25 or a fee commensurate with the work done by Escrow prior to cancellation.

3. Requirements Prior to Disbursement of Buyer's Funds. Escrow Agent shall make no disbursements of Buyer's funds, pursuant to paragraph 5 of the Escrow Agreement until all of the following have occurred:

(a) the Real Estate Commission has issued a final public report (the "Final Report") on the Project;

(b) Seller or Seller's attorney has given a written opinion to Escrow stating that all of the requirements of Sections 514A-39.5 (as to contingent final public reports), 514A-40 (as to final public reports) and 514A-63 of the Hawaii Revised Statutes, then applicable to the Project, have been satisfied.

(c) Seller shall have given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract.

4. Purchaser's Default. Seller must notify Escrow in writing if Purchaser defaults, and must certify that Seller has canceled the Purchaser's Sales Contract. After such cancellation Escrow will treat the Purchaser's funds less Escrow's cancellation fees as belonging to the Seller.

EXHIBIT "H"

DISCLOSURE ABSTRACT

Dated: July 18, 2006

1. (a) PROJECT: LAIE BEACH COTTAGES  
55-323 Kamehameha Highway  
Laie, Oahu, Hawaii 96762
  - (b) DEVELOPER: KENAI BEACH PARTNERS, INC.  
900 Alewa Drive  
Honolulu, Oahu, HI 96713  
Telephone: (808) 754-0150
  - (c) MANAGING AGENT: Self-Managed by the Association  
of Apartment Owners
2. Breakdown of annual maintenance fees and monthly estimate costs for each unit are more fully described on Exhibit "1" attached hereto (revised and updated every twelve (12) months and certified to have been based on generally accepted accounting principles).

Note: ~~Developers disclose that no reserve study was done in accordance with Chapter 514A-63.6, HRS, and replacement reserve rules, Subchapter 6, Title 16, Chapter 407, Hawaii Administrative Rules, as amended.~~ -- **See Attachment 1 - Reserve Study**

3. DESCRIPTION OF ALL WARRANTIES COVERING THE DWELLINGS AND COMMON ELEMENTS:

The Developer is not giving any warranty on the materials and workmanship of the Units.

4. USE OF UNITS. The **LAIE BEACH COTTAGES** Condominium Project will consist of six (6) units which shall be occupied and used only purposes permitted by the Land Use Ordinance for the City and County of Honolulu ("LUO") then in effect

The Developer certifies that the maintenance fees and costs as estimated by the Developer is based on generally accepted accounting principles.

KENAI BEACH PARTNERS LLC., a Hawaii limited liability company

By

  
Jon Gogies, its member

"Developer"

**EXHIBIT "1"**

**ESTIMATE OF INITIAL MAINTENANCE FEES,  
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS  
AND RESERVE STUDY  
FOR  
LAIE BEACH COTTAGES**

**Estimate of Initial Maintenance Fees:**

Cottage	Monthly Fee	X 12 Months	= Yearly Total
1,2,3,4	\$ 271.64		\$ 3,259.72
5	\$ 306.63		\$ 3,679.54
6	\$ 288.97		\$ 3,467.61

**Detail of Maintenance Fee Disbursements:**

	<u>Monthly Fee</u>	<u>Annual Total</u>
<b>Utilities and Services</b>		
Electricity	\$100	\$1,200
Water/Sewer	\$350	\$4,200
<b>Maintenance, Repairs and Supplies</b>		
Building	\$250	\$3,000
Grounds Contract	\$350	\$4,200
<b>Management</b>		
Administrative Supplies	\$10	\$120
Audit/Tax Fees	\$10	\$120
Management Fee	\$300	\$3,600
Management Reimbursable Expenses	\$50	\$600
GET Taxes	\$10	\$120
<b>Insurance</b>		
Hurricane, Liability	\$102	\$1,224
Flood Insurance	\$50	\$600
<b>Other: Miscellaneous</b>		
Reserves	\$374	\$4,492
<b>TOTAL</b>	<b>\$1,956</b>	<b>\$23,476</b>

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.



**LAIE BEACH COTTAGES**  
**RESERVE STUDY**

ITEM	CONDITION	EST COST	NEXT DUE	COST PER YEAR
Roof	New	\$12,000	2026	\$ 600.00
Paint	Excellent	\$15,000	2013	\$2,142.00
Fence	New	\$15,000	2026	\$ 750.00
Contingency				\$1,000.00
Estimated Replacement Reserve next 12 months				\$4,492.00
Reserve Payment per Unit (6), per month				\$ 62.39

EXHIBIT "I"

Letter from the City and County of Honolulu Department of Planning and Permitting dated June 13, 2005 is attached herewith.

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

850 SOUTH KING STREET, 7<sup>TH</sup> FLOOR - HONOLULU, HAWAII 96813  
TELEPHONE: (808) 528-4432 • FAX: (808) 527-6749  
DEPT. INTERNET: [www.honolulu.gov](http://www.honolulu.gov) • INTERNET: [www.honolulu.gov](http://www.honolulu.gov)

MUSEI HANZMANN  
MAYOR



HENRY KING, FAICP  
DIRECTOR

DAVID K. TANOUK  
DEPUTY DIRECTOR

2005/ELOG-800(LT)

June 13, 2005

Mr. Sam Levitz  
P.O. Box 108  
Lais, Hawaii 96762

Dear Mr. Levitz:

Subject: Condominium Conversion Project  
55-323 Kamehameha Highway  
Tax Map Key: 5-5-002: 034

This is in response to your letter dated April 8, 2005 requesting verification that the structures on the above-mentioned property met all applicable code requirements at the time of construction.

Investigation revealed that the three one-story two-family detached dwellings with twelve all-weather-surface off-street parking spaces met all applicable code requirements when they were constructed in 1975 on this 36,325-square foot R-5 Residential District zoned lot.

Investigation also revealed on October 2, 1975, 75/SD-8 was given favorable consideration to the proposed site development plan of Lot-A, Land Court Application 772, into four lots: Lot 1 of 7,500 square feet; Lot 2 of 7,520 square feet; Lot 3 of 10,170 square feet; and a roadway lot of 6,430 square feet (24 feet wide). The Department of Planning and Permitting considers this site development of three lots with roadway not a subdivision, but will treat it as four separate zoning lots. Presently, there is one dwelling on Lot 1, one dwelling on Lot 2, one dwelling on Lot 3, and a roadway.

No variances or special permits were granted to allow deviations from any applicable codes.

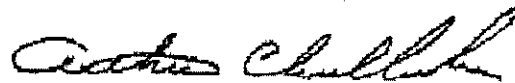
For your information, the Department of Planning and Permitting cannot determine all legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes.

Mr. Sam Levitz  
June 13, 2005  
Page 2

Conversion to a condominium property regime (CPR) is not recognized by the City and County as an approved subdivision. CPR delineates ownership; it does not create separate lots of record for subdivision and zoning purposes.

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of our Commercial and Multi-family Code Enforcement Branch at 527-6341.

Sincerely yours,



~~For~~ HENRY ENG, FAICP  
Director of Planning and Permitting

HE:ft

Dac 376017